

TOWNSHIP OF HILL
Ogemaw County, Michigan
65-1060
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hill	County Ogemaw
Audit Date March 31, 2004	Opinion Date July 31, 2004	Date Accountant Report Submitted to State: July 31, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

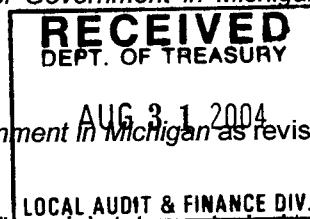
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |



We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF HILL
Ogemaw County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 31, 2004

To the Township Board
Township of Hill
Ogemaw County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hill, Ogemaw County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hill's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hill, Ogemaw County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hill, Ogemaw County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	826 781 61	481 402 32	64 95
Taxes receivable	9 990 19	10 831 88	-
Due from other funds	7 666 95	-	-
Land and improvements	-	-	-
Buildings	-	-	-
Equipment	-	-	-
Total Assets	<u>844 438 75</u>	<u>492 234 20</u>	<u>64 95</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	7 602 00	64 95
Total liabilities	-	<u>7 602 00</u>	<u>64 95</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>844 438 75</u>	<u>484 632 20</u>	-
Total fund equity	<u>844 438 75</u>	<u>484 632 20</u>	-
Total Liabilities and Fund Equity	<u>844 438 75</u>	<u>492 234 20</u>	<u>64 95</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Group</u> <u>General</u> <u>Fixed Assets</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
-	1 308 248 88
-	20 822 07
-	7 666 95
33 857 06	33 857 06
72 468 33	72 468 33
<u>40 820 67</u>	<u>40 820 67</u>
<u>147 146 06</u>	<u>1 483 883 96</u>
-	7 666 95
<u>-</u>	<u>7 666 95</u>
147 146 06	147 146 06
-	1 329 070 95
<u>147 146 06</u>	<u>1 476 217 01</u>
<u>147 146 06</u>	<u>1 483 883 96</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	57 182 02	109 212 06	166 394 08
Special assessments	34 761 95	6 575 42	41 337 37
State revenue sharing	108 071 00	-	108 071 00
Charges for services:			
PTAF	36 072 55	-	36 072 55
Interest	4 581 41	1 528 40	6 109 81
Miscellaneous	<u>6 931 50</u>	<u>-</u>	<u>6 931 50</u>
Total revenues	<u>247 600 43</u>	<u>117 315 88</u>	<u>364 916 31</u>
Expenditures:			
Legislative:			
Township Board	16 325 96	-	16 325 96
General government:			
Supervisor	12 866 73	-	12 866 73
Elections	458 55	-	458 55
Assessor	40 200 00	-	40 200 00
Clerk	11 144 21	-	11 144 21
Board of Review	1 858 63	-	1 858 63
Treasurer	16 584 78	-	16 584 78
Building and grounds	12 034 52	-	12 034 52
Cemetery	400 00	-	400 00
Unallocated	3 096 00	-	3 096 00
Public safety:			
Fire protection	-	41 828 26	41 828 26
Public works:			
Highways and streets	-	62 794 03	62 794 03
Street lighting	6 639 76	-	6 639 76
Sanitation	22 202 93	-	22 202 93
Weed control	22 103 95	-	22 103 95
Culture and recreation:			
Library	319 64	-	319 64
Other:			
Insurance	6 350 00	-	6 350 00
Capital outlay	<u>1 327 73</u>	<u>376 80</u>	<u>1 704 53</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Total expenditures	<u>173 913 39</u>	<u>104 999 09</u>	<u>278 912 48</u>
Excess of revenues over expenditures	73 687 04	12 316 79	86 003 83
Fund balances, April 1	<u>770 751 71</u>	<u>472 315 41</u>	<u>1 243 067 12</u>
Fund Balances, March 31	<u>844 438 75</u>	<u>484 632 20</u>	<u>1 329 070 95</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	57 831 54	57 182 02	(649 52)
Special assessments	33 982 20	34 761 95	779 75
State revenue sharing	108 071 00	108 071 00	-
Charges for services:			
PTAF	25 649 50	36 072 55	10 423 05
Interest	3 133 98	4 581 41	1 447 43
Miscellaneous	<u>22 250 72</u>	<u>6 931 50</u>	<u>(15 319 22)</u>
Total revenues	<u>250 918 94</u>	<u>247 600 43</u>	<u>(3 318 51)</u>
Expenditures:			
Legislative:			
Township Board	22 200 00	16 325 96	(5 874 04)
General government:			
Supervisor	13 200 00	12 866 73	(333 27)
Elections	5 500 00	458 55	(5 041 45)
Assessor	42 000 00	40 200 00	(1 800 00)
Clerk	13 100 00	11 144 21	(1 955 79)
Board of Review	1 958 63	1 858 63	(100 00)
Treasurer	16 584 78	16 584 78	-
Building and grounds	15 500 00	12 034 52	(3 465 48)
Cemetery	500 00	400 00	(100 00)
Unallocated	14 665 22	3 096 00	(11 569 22)
Public safety:			
Fire protection	-	-	-
Public works:			
Highways and streets	-	-	-
Street lighting	7 200 00	6 639 76	(560 24)
Sanitation	22 500 00	22 202 93	(297 07)
Weed control	22 103 95	22 103 95	-
Culture and recreation:			
Library	600 00	319 64	(280 36)

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
110 347 77	109 212 06	(1 135 71)
6 616 50	6 575 42	(41 08)
-	-	-
-	-	-
1 613 43	1 528 40	(85 03)
-	-	-
<u>118 577 70</u>	<u>117 315 88</u>	<u>(1 261 82)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
41 828 26	41 828 26	-
62 794 04	62 794 03	(01)
-	-	-
-	-	-
-	-	-
-	-	-

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Other:			
Insurance	6 350 00	6 350 00	-
Contingency	75 000 00	-	(75 000 00)
Capital outlay	<u>2 000 00</u>	<u>1 327 73</u>	<u>(672 27)</u>
Total expenditures	<u>280 962 58</u>	<u>173 913 39</u>	<u>(107 049 19)</u>
Excess (deficiency) of revenues over expenditures	(30 043 64)	73 687 04	103 730 68
Fund balances, April 1	<u>718 652 09</u>	<u>770 751 71</u>	<u>52 099 62</u>
Fund Balances, March 31	<u>688 608 45</u>	<u>844 438 75</u>	<u>155 830 30</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
<u>376 80</u>	<u>376 80</u>	<u>-</u>
<u>104 999 10</u>	<u>104 999 09</u>	<u>(01)</u>
<u>13 578 60</u>	<u>12 316 79</u>	<u>(1 261 81)</u>
<u>466 953 25</u>	<u>472 315 41</u>	<u>5 362 16</u>
<u>480 531 85</u>	<u>484 632 20</u>	<u>4 100 35</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hill, Ogemaw County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hill. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

This fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.1391 mills and the taxable value was \$77,891,802.00.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets and Depreciation

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time received. No depreciation has been provided on these general fixed assets.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees do not accrue vacation and sick pay and therefore no amounts are recorded for accrued compensated absences in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 308 248 88</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	260 696 09
Uninsured and Uncollateralized	<u>1 051 619 91</u>
Total Deposits	<u>1 312 316 00</u>

As of March 31, 2004, the Township of Hill did not have any investments.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	33 857 06	-	-	33 857 06
Buildings	70 763 80	1 704 53	-	72 468 33
Equipment	<u>40 820 67</u>	<u>-</u>	<u>-</u>	<u>40 820 67</u>
Totals	<u>145 441 53</u>	<u>1 704 53</u>	<u>-</u>	<u>147 146 06</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	7 602 00	Maple Road	7 602 00
General	<u>64 95</u>	Current Tax Collection	<u>64 95</u>
Total	<u>7 666 95</u>	Total	<u>7 666 95</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan which covers substantially all employees. The covered employees also contribute to the plan. The Township's contribution during the year ended March 31, 2004, was \$2,020.00.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Hill does not issue building permits. Building permits are issued by Ogemaw County.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT D

	<u>Fire</u>	<u>Road</u>	<u>Gypsy Moth</u>	<u>Norway Shores</u>
<u>Assets</u>				
Cash in bank	58 736 14	198 949 95	197 870 26	3 222 76
Taxes receivable	<u>3 533 01</u>	<u>6 897 89</u>	<u>-</u>	<u>283 88</u>
Total Assets	<u>62 269 15</u>	<u>205 847 84</u>	<u>197 870 26</u>	<u>3 506 64</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated (deficits)	<u>62 269 15</u>	<u>205 847 84</u>	<u>197 870 26</u>	<u>3 506 64</u>
Total fund balances (deficits)	<u>62 269 15</u>	<u>205 847 84</u>	<u>197 870 26</u>	<u>3 506 64</u>
Total Liabilities and Fund Balances	<u>62 269 15</u>	<u>205 847 84</u>	<u>197 870 26</u>	<u>3 506 64</u>

<u>Maple Road</u>	<u>Woodland Ridge</u>	<u>Capital Improvement</u>	<u>Total</u>
9 064 39	816 52	12 742 30	481 402 32
<u>117 10</u>	<u>-</u>	<u>-</u>	<u>10 831 88</u>
<u>9 181 49</u>	<u>816 52</u>	<u>12 742 30</u>	<u>492 234 20</u>
7 602 00	-	-	7 602 00
<u>7 602 00</u>	<u>-</u>	<u>-</u>	<u>7 602 00</u>
1 579 49	816 52	12 742 30	484 632 20
<u>1 579 49</u>	<u>816 52</u>	<u>12 742 30</u>	<u>484 632 20</u>
<u>9 181 49</u>	<u>816 52</u>	<u>12 742 30</u>	<u>492 234 20</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT E

Year Ended March 31, 2004

	<u>Fire</u>	<u>Road</u>	<u>Gypsy Moth</u>	<u>Norway Shores</u>
Revenues:				
Property taxes	36 992 44	72 219 62	-	-
Special assessments	-	-	-	2 030 08
Interest	<u>127 21</u>	<u>639 43</u>	<u>693 51</u>	<u>5 71</u>
Total revenues	<u>37 119 65</u>	<u>72 859 05</u>	<u>693 51</u>	<u>2 035 79</u>
Expenditures:				
Public safety:				
Fire protection	41 828 26	-	-	-
Public works:				
Highways and streets	-	60 217 00	-	976 82
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>41 828 26</u>	<u>60 217 00</u>	<u>-</u>	<u>976 82</u>
Excess (deficiency) of revenues over expenditures	(4 708 61)	12 642 05	693 51	1 058 97
Fund balances (deficits) , April 1	<u>66 977 76</u>	<u>193 205 79</u>	<u>197 176 75</u>	<u>2 447 67</u>
Fund Balances, March 31	<u><u>62 269 15</u></u>	<u><u>205 847 84</u></u>	<u><u>197 870 26</u></u>	<u><u>3 506 64</u></u>

<u>Maple Road</u>	<u>Woodland Ridge</u>	<u>Capital Improvement</u>	<u>Total</u>
-	-	-	109 212 06
4 545 34	-	-	6 575 42
<u>17 60</u>	<u>-</u>	<u>44 94</u>	<u>1 528 40</u>
<u>4 562 94</u>	<u>-</u>	<u>44 94</u>	<u>117 315 88</u>
-	-	-	41 828 26
1 537 59	62 62	-	62 794 03
<u>-</u>	<u>-</u>	<u>376 80</u>	<u>376 80</u>
<u>1 537 59</u>	<u>62 62</u>	<u>376 80</u>	<u>104 999 09</u>
3 025 35	(62 62)	(331 86)	12 316 79
<u>(1 445 86)</u>	<u>879 14</u>	<u>13 074 16</u>	<u>472 315 41</u>
<u>1 579 49</u>	<u>816 52</u>	<u>12 742 30</u>	<u>484 632 20</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT F

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>159 03</u>	<u>2 368 682 42</u>	<u>2 368 776 50</u>	<u>64 95</u>
<u>Liabilities</u>				
Due to other funds	159 03	213 535 78	213 629 86	64 95
Due to others	<u>-</u>	<u>2 155 146 64</u>	<u>2 155 146 64</u>	<u>-</u>
Total Liabilities	<u>159 03</u>	<u>2 368 682 42</u>	<u>2 368 776 50</u>	<u>64 95</u>

TOWNSHIP OF HILL
Ogemaw County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT G

Cash in bank – beginning of year	<u>159 03</u>
Cash receipts:	
Property taxes	2 344 774 49
Property tax administration fees	23 235 08
Animal licenses	200 00
Interest	<u>472 85</u>
Total cash receipts	<u>2 368 682 42</u>
Total beginning balance and cash receipts	<u>2 368 841 45</u>
Cash disbursements:	
Township General Fund	76 422 66
Township Road Fund	65 321 73
Township Fire Fund	33 459 43
Township Norway Shores Fund	1 746 20
Township Maple Road Fund	4 428 24
Township North Dease	13 420 00
Township South Dease	18 831 60
Ogemaw County	906 909 89
Kirtland Community College	84 031 68
COOR	32 690 64
West Branch – Rose City School District	531 284 31
Iosco Intermediate School District	30 115 41
Hale School District	532 212 31
Ogemaw District Library	22 567 45
Refunds	<u>15 334 95</u>
Total cash disbursements	<u>2 368 776 50</u>
Cash in Bank – End of Year	<u><u>64 95</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 31, 2004

To the Township Board
Township of Hill
Ogemaw County, Michigan



We have audited the financial statements of the Township of Hill, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hill in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Hill
Ogemaw County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Hill
Ogemaw County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hill will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants